

Betterment

Form ADV Part 2A – Appendix 1

BETTERMENT WRAP FEE BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of Betterment LLC (hereinafter “Betterment”), a registered investment adviser. Registration does not imply a certain level of skill or training but only indicates that Betterment has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission. If you have any questions about the contents of this brochure, please contact us at support@betterment.com or at 888-428-9482. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Betterment is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2: Summary of Material Changes

The most recent annual update of this Wrap Fee Program brochure was January 31, 2017. The material changes introduced in that update were:

- Amendments to reflect a change in the pricing applicable to Betterment Retail Clients and the offer of phone consultation services to eligible Retail Client.

On March 15, 2017, this brochure was further updated to reflect the provision of additional advisory services to Retirement Clients.

On March 31, 2017, our Form ADV Part 2B was updated to reflect the appointment of Ben Alden as Chief Compliance Officer.

On May 15, 2017, our Form ADV Part 2B was updated to reflect updates to our non-discretionary advice service offering.

On July 12, 2017, our Form ADV Part 2B was updated to reflect our offering a Socially Responsible Investing portfolio in addition to our core portfolio.

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Item 4: Services, Fees, and Compensation

General Information

Betterment offers the Betterment Wrap Fee Program to prospective and current clients. Betterment, a limited liability company organized under Delaware law, is an SEC-registered investment adviser that maintains its principal office at 61 West 23rd Street, 4th Floor, New York, NY 10010. Betterment is a sponsor of the Betterment Wrap Fee Program. Betterment Securities, an affiliate of Betterment, is a sponsor of the Betterment Wrap Fee Program. If you have questions regarding the material contained herein, please contact Betterment at support@betterment.com or at 888-428-9482.

Program Description and Investment Strategy

Betterment is a smart, simple way of managing savings and investments. Betterment generally offers investment advisory services over the internet and, for clients receiving Supplementary Services (as defined below), via phone, electronic chat, or email communications with Betterment's financial consultants. This Wrap Fee Brochure is meant to help you understand the nature of the advisory services offered by Betterment, whether the advisory services offered by Betterment are right for you, and the potential conflicts of interest associated with your participation in the Betterment Wrap Fee Program. You should review it carefully.

Betterment offers investment advice to clients and manages assets through the Betterment Wrap Fee Program. A wrap fee program has a fee structure that provides clients with advisory and brokerage services for one all-inclusive bundled fee with no additional account activity charges for execution of trades. As such, Betterment charges clients (defined below) a single bundled fee that covers the investment advisory services it provides, as well as the brokerage and custodial services provided by its affiliated broker-dealer, Betterment Securities. Please see Item 6 for additional information on brokerage considerations.

Betterment offers its advisory services through a Wrap Fee Program because we believe it best allows us to achieve our mission of simplifying smart saving and investing for our clients. For example, the wrap fee gives clients the freedom to add to or withdraw money from their accounts and provide investment direction that impacts their account holdings without incurring any separate expenses for resulting trades.

Betterment's Wrap Fee Program offers services to three types of clients: (1) a retail service whereby individuals, trusts, and other legal entities receive advisory services from Betterment (such clients are referred to as "Retail Clients"); (2) an institutional platform whereby individuals, trusts, and other legal entities receive advisory services from Betterment, as well as services from an unaffiliated registered investment adviser or other provider of investment advice ("Advisor"), subject to Betterment's approval, with which the individual, trust or legal entity has an independent relationship (such clients are referred to as "Institutional Clients" and such business collectively as "Betterment for Advisors"); and (3) a platform whereby employer-sponsored retirement plans and plan participants ("Participants") receive advisory services from Betterment, acting in an ERISA 3(38) fiduciary capacity, as well as recordkeeping

and/or administrative services from our affiliate, Betterment for Business LLC (collectively, the “Betterment for Business Service”) (such clients are referred to as “Retirement Clients”). Retail Clients, Institutional Clients, and Retirement Clients are collectively referred to in this brochure as “clients.”

All clients receive Betterment’s discretionary advisory services over the internet. Betterment additionally offers Retail Clients with a balance of at least \$100,000 in Betterment accounts the opportunity to receive non-discretionary advisory services over the phone, email, and electronic chat through participation in Betterment’s “Betterment Plus” and “Betterment Premium” plans, respectively. Clients who do not participate in the Betterment Plus or Betterment Premium plans are referred to as participants in the “Betterment Digital” plan. Betterment may, in its sole discretion, reduce or waive the minimum balance requirement for the Betterment Plus and Premium Plans.

Betterment Plus and Betterment Premium plan clients are eligible to schedule one or more telephone consultations with a financial consultant, employed by Betterment, who will provide personalized financial planning advice, including advice relating to debt, such as student loans and credit card debt, mortgages, savings, and retirement (including pensions and social security) and tax-related advice that does not constitute legal advice or advice requiring licensure as a Certified Public Accountant (such advice, collectively is referred to as “Supplementary Services,” whether delivered via a telephone consultation or another medium). Supplementary Services are designed to help clients articulate and quantify goals, organize financial data, identify needs and opportunities, evaluate alternative courses of actions, and determine whether and how Betterment can fit into clients’ broader financial plans. Betterment will base any such advice on information provided by clients regarding, among other things, their age, marital and family status, annual income, employment status, liquid net worth, debt and other investments, investment goals and investment experience during the financial consultation call and, if the client has an account with Betterment, through Betterment’s online interface. Supplementary Services will not include, among other things, a comprehensive financial plan and certain investment topics, such as investments in real estate, may fall outside the scope of the Supplementary Services. There can be no assurances that any client’s financial goals and objectives will be met through receipt of Supplementary Services. Betterment uses a team-based approach to providing Supplementary Services—if clients receive Supplementary Services on multiple occasions, they are likely to interact with multiple financial consultants. In addition, Betterment may, from time to time and in its sole discretion, offer any client, without charge, certain Supplementary Services through email, electronic chat, and telephone communications, subject to the conditions and limitations described above. Clients are under no obligation to accept or follow any recommendations made by a financial consultant as part of the Supplementary Services and neither Betterment nor the financial consultant will have any discretion over client assets or accounts with respect to implementing any such recommendations. Clients who receive Supplementary Services will continue to receive Betterment’s discretionary advisory services over the internet.

Participation in the Betterment Plus plan will entitle a Retail Client to one (1) telephone

consultation with a licensed Betterment financial consultant per calendar year, and participation in the Betterment Premium plan will entitle a Retail Client to an unlimited (subject to scheduling availability) number of telephone consultations per year with a licensed Betterment financial consultant. In addition, Retail Clients who are in the Betterment Plus and Premium plans will generally receive periodic updates, reminders and other messages from a Betterment financial consultant to assist such clients in staying on track to meet their investment goals. These periodic updates, reminders and messages will not be part of any Supplementary Services that Betterment offers outside of a Betterment Plus or Betterment Premium plan.

Betterment also offers Retirement Clients the opportunity to receive certain additional advisory services in the form of both (1) phone consultation sessions between Plan Participants and a Betterment financial consultant and (2) day-long educational sessions led by a Betterment financial consultant and directed at Plan Participants (such services, "Retirement Client Additional Services"), in each case subject to the scheduling availability of Betterment financial consultants.

Betterment also offers all Retail Clients, regardless of account size, a matching service whereby Betterment provides such clients with the contact information of a dedicated third-party registered investment advisor through Betterment's Advisor Network program. If a client elects to participate in the Advisor Network program, the client will receive the names and contact information of one or more third-party advisors in the Advisor Network. After an initial phone call with such advisor(s), the client may enter into a separate agreement on such terms, including fee terms, as mutually agreed between such client and such advisor. Betterment receives no compensation from the client or the third-party advisor for providing this matching service.

Fees

New Retail Clients typically pay an annualized wrap fee of 0.25% of their account balance for participation in the Betterment Digital plan. Retail Clients who participate in the Betterment Plus plan pay a wrap fee of 0.40% in annualized fees. Retail Clients who participate in the Betterment Premium plan pay a wrap fee of 0.50% in annualized fees. These fees are subject to the fee cap discussed below.

All of Betterment's asset-based fees for Retail Clients, with the exception of Clients who receive specific fee discounts, are charged only on the first \$2 million of assets. That is, no asset-based fee will be charged on portions of the aggregated balances in a Client's IRA and taxable accounts that exceed \$2 million. If a Retail Client also has a 401(k) account through Betterment for Business, the balance of that account is not included for purposes of this fee cap.

Institutional Clients typically pay a wrap fee generally equal to 0.25% of their account balance for participation in the Wrap Fee Program.

Institutional Clients, and Retail Clients participating in the Advisor Network program, may pay a separate fee directly to their unaffiliated Advisor. Betterment does not receive any portion of

the fees paid to an Advisor.

New Retirement Clients as of January 1, 2017 typically pay an all-inclusive annualized fee of 0.25% for participation in the Wrap Fee Program. A plan sponsor may choose to allocate this fee to itself or to Participants. Betterment for Business' recordkeeping services are subject to a separate fee schedule. Betterment does not typically accept Retirement Clients unless they also engage Betterment for Business for recordkeeping services. Retirement Clients that receive the Retirement Client Additional Services described above will pay an additional fee for such services, as further described in the side letter pertaining to such services. General fee information is available for review on www.bettermentforbusiness.com, although the specific fees charged to individual Retirement Clients may vary.

Retirement Clients who engaged Betterment before January 1, 2017 generally pay different fees, which are sometimes lower than those paid by new Retirement Clients, for the services provided by Betterment and Betterment for Business.

Clients should consider that, depending on the amount of activity in a client's account and the value of custodial, trade execution, advisory, and other services that are provided under the arrangement, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately or by others. Clients should also consider that Betterment receives different amounts of revenue (and incurs different costs) from clients participating in each Betterment service plan (i.e., Betterment Digital, Betterment Plus, and Betterment Premium) and, as a result, if you seek our advice on the appropriate plan, Betterment has a financial incentive to recommend higher priced plans (i.e., Betterment Plus or Betterment Premium). Betterment may, at its sole discretion, waive portions of its fees or offer fees to some accounts that differ from the standard fee schedules referenced above. You should also be aware that Betterment may, from time to time, offer clients free-of-charge Supplementary Services that are similar to the services received by Betterment Plus and Betterment Premium clients. Clients should therefore inquire about what Supplementary Services Betterment is making available free of charge before deciding to become a Betterment Plus or Betterment Premium client.

Betterment's asset-based fees are calculated as a prorated amount of a client's average daily balance over a calendar quarter and charged at the end of each quarter. Other than as described above, fees are not charged on the basis of a share of capital gains upon or capital appreciation of the Funds (as defined below) or any portion of the assets of a client. In certain circumstances disclosed in the an advisory agreement between each client and Betterment (an "Advisory Agreement"), Betterment reserves the right to charge a client for special requests or other irregular services.

Betterment will automatically debit the prorated amounts of the fees from the assets in a client's account on a quarterly basis in arrears.

All fees paid to Betterment for investment advisory services are separate and distinct from the fees and expenses charged by Funds to their shareholders. These fees and expenses are described in each Fund's prospectus, which are available in the "Portfolio" tab of the online

interface, and are embedded in the securities purchased on clients' behalf. These fees are generally composed of a management fee and other Fund expenses. Betterment does not earn or receive a portion of such fees.

As noted above, Institutional Clients, and Retail Clients participating in the Advisor Network program, may pay their Advisor a separate fee; Betterment does not receive any portion of this fee. As part of the Betterment for Business Service, Betterment for Business LLC may charge Retirement Clients separate fees for certain administrative tasks and services related to plan administration (e.g., Participant loans), some of which may depend on the size of the plan. As noted above, Retirement Clients may also pay a third-party administrator to perform certain services. Betterment does not receive any portion of these fees.

Item 5: Account Requirements and Types of Clients

Betterment's Clients include individuals, trusts, employer-sponsored plans (and their Participants) and other legal entities (subject to Betterment's approval) who are U.S. residents and maintain a checking account with a U.S. bank. There is no minimum account size to maintain an account with the Betterment Digital plan. A balance of at least \$100,000 is required to be eligible to participate in the Betterment Plus and Betterment Premium plans, respectively. The minimum initial deposit is \$10. Institutional Clients have an independent contractual relationship with an Advisor. Retirement Clients must also execute an Administrative Services Agreement with Betterment for Business LLC.

Item 6: Portfolio Manager Selection and Evaluation

Betterment directly manages the portfolios of Retail Clients pursuant to each client's Advisory Agreement. Betterment directly manages the portfolios of Institutional Clients pursuant to the Betterment for Advisors Advisory Agreement and in conjunction with an Advisor's instructions, as applicable. Investments in employer-sponsored retirement plans are directly managed by Betterment as a 3(38) fiduciary, pursuant to an Investment Advisory Agreement specific to the Betterment for Business Service (see below for specific employer-sponsored retirement plan services).

Summary of Betterment's Advisory Services

Clients should carefully consider Betterment's services before determining whether to engage Betterment. To use Betterment's investment services, clients and/or their Advisors inform Betterment of a client's financial goals and personal information through Betterment's online applications, and Betterment's algorithm then recommends and builds a portfolio of exchange traded funds ("ETFs," or the "Funds") for each of the client's financial goals and account types. Each portfolio is associated with a target allocation (the "Allocation") of investment types and/or asset classes. Betterment's Investment Committee oversees this process and has approved each potential portfolio and the Funds in such portfolio. Betterment may change the specific Funds that comprise a particular Allocation without notice to clients. As described below, Advisors serving clients on the Betterment for Advisors and Advisor Network are responsible for the determination to use third-party model portfolios and custom portfolios with particular clients.

Betterment currently offers two Investment Styles. Betterment's core portfolio offers a set of globally diversified stock and bond allocations with a U.S. value and small-cap tilt, comprised of low-cost, liquid, index-tracking ETFs from diverse providers. Betterment's Socially Responsible Investing portfolio reduces exposure to stocks of U.S. large capitalization companies that do not meet certain environmental, social, and governance criteria, relative to the core portfolio. More information about Betterment's investment advice and methodologies is available on Betterment's website.

Each Allocation corresponds to a specific set of asset classes and distribution of Funds among those asset classes (which may differ depending on whether the account is taxable or non-taxable). Clients and/or their Advisors are free to accept a Betterment-recommended Allocation or choose their own Allocation based on their own preferences or risk tolerance. When Clients seek to deviate significantly from Betterment's recommended Allocation, they will receive feedback from Betterment as to why Betterment's recommendations might better match their circumstances and objectives. Betterment will manage the client's account according to the Allocation a client sets and the type of goal a client selects. Clients should consider that the Betterment Digital plan is not designed to provide clients with a comprehensive financial plan and instead is built to advise Clients on how to achieve discrete financial goals.

Betterment's recommendations are highly dependent on receiving accurate information from clients. If clients provide Betterment with inaccurate information or fail to update the information provided to Betterment when it changes, it could materially impact the quality and applicability of Betterment's recommendations. With respect to the Betterment Digital plan, Betterment's recommendations typically will not be based on specific assets or liabilities that clients hold outside of Betterment. There may also be other information that is not elicited by Betterment that could inform Betterment's advice if it were provided to Betterment, even in cases where Supplementary Services are provided via phone, electronic chat, or email communications with Betterment's financial consultants.

Clients should also understand that entries made in Betterment's [Investing Journal](#) feature, which allows clients to record notations concerning the context for specific transactions, are not directly incorporated into Betterment's advice to individual clients. The Investing Journal feature is instead designed to provide clients with a place to create notations for their own reference and to allow Betterment to collect information that can be used to improve its overall offering.

For some financial goals and portfolios, Betterment's recommendations to clients will shift over time, with the recommended Allocation gradually shifting as the term of the goal approaches (i.e., a "glide path"). Betterment will not automatically adjust a client's target Allocation based on the passage of time, so clients must manually change their allocation if the recommendations provided by Betterment's online applications shift. Betterment will, however, periodically adjust the allocations of Participants who have not exercised control over their employer-sponsored accounts to match Betterment's recommendations for those accounts.

When clients deposit to or withdraw money from their Betterment account, they are requesting that Betterment purchase or sell available Funds within their account in amounts reflect their desired Allocation. Similarly, when clients and/or their Advisors adjust a client's Allocation, Betterment will buy and sell Funds to approach the desired Allocation. Clients with taxable accounts who live in California or New York who have a balance of, or intent to fund, at least \$100,000 to their account, can further customize their portfolios by adding exposure to California or New York municipal bonds, respectively, in lieu of national municipal bonds.

Betterment offers rebalancing of client portfolios so that in the face of fluctuating market prices each client's portfolio remains controlled to within a narrow range of the Allocation. Betterment typically automatically rebalances a client's accounts in the event a client's portfolio drifts by 3% or more and cash flows are not sufficient to enable Betterment to reduce such drift, provided that rebalancing will not result in short-term capital gains for a client, although clients can request to have Betterment only rebalance their accounts in response to cash flows. To participate in Betterment's offerings, clients agree to have their dividends automatically reinvested in accordance with their Allocation.

Betterment also offers optional tax loss harvesting and automated asset location ("Tax Coordinated Portfolio") services. The value provided by these optional services will vary

depending on each investor's personal circumstances, and investors should read Betterment's disclosures for each of these services carefully before enabling them. For the avoidance of doubt, Betterment's tax loss harvesting and Tax Coordinated Portfolio services are not designed to, and do not, provide comprehensive tax advice to clients. Investing in securities involves risk of loss that clients should be prepared to bear.

Betterment implements its advisory services by investing in ETFs. For information regarding the structure, fees, and risks associated with investing in ETFs, see the SEC's Investor Bulletin on ETFs: <https://www.sec.gov/servlet/sec/investor/alerts/etfs.pdf>.

Betterment is currently able to accept the transfer of certain securities into client accounts. Clients should be aware that Betterment will adjust aspects of its account management in response to such transfers, including by turning off automatic rebalancing after the securities arrive. Additional considerations related to the transfer of outside securities into a Betterment account will be disclosed in Betterment's online interface at the time of any such transfer.

Betterment uses algorithms to advise clients and manage their accounts. These algorithms are developed, overseen, and monitored by Betterment's investment advisory personnel. When clients sign up for a Betterment account, an algorithm, developed by Betterment's investment advisory personnel, determines Betterment's recommended Allocation based on inputs from the client. Algorithms also generate advice regarding other investment decisions, including but not limited to Allocation selection, savings and withdrawal rates, automatic rebalancing, and account type selection. When clients make deposits or withdrawals from their accounts, an algorithm determines the specific securities to trade based on a client's Allocation, current tax lots, and other directions that they have provided to Betterment. If clients opt in to Betterment's tax loss harvesting and/or Tax Coordinated Portfolio services, algorithms also determine the specific trades that are made in a client's account to effect such services. Further details on each of these services, including the operation of the underlying algorithms, are available on Betterment's website. Additional information regarding relevant considerations for Clients considering an automated digital investment advisory program (sometimes referred to as a "robo advisor") is contained in the Investor Bulletin from the Securities and Exchange Commission available at https://www.sec.gov/oiea/investor-alerts-bulletins/ib_robo-advisers.html.

Clients should be aware that, when Betterment makes changes to its online applications, not all Clients may see such changes at the same time. This may be because Betterment is testing particular changes or because Betterment has determined that it would be prudent to roll out a particular feature on a more gradual basis. Clients should also be aware that there will typically be different services and tools available to them depending on the means by which they are interacting with Betterment over the internet. For example, the services available on a mobile phone (or a particular mobile phone operating system) will be different than the services and tools available via a web-based interface.

Investment Tools

In addition, Betterment's online applications provide tools to help clients and/or their Advisors

project clients' expected returns, plan for retirement, select account types, understand their risks, access information related to transactions, and review their account's prior performance. As with Betterment's services more generally, these tools (including the RetireGuide tool) are not designed to provide clients with a comprehensive financial plan.

Trade Execution, Account Maintenance, and Asset Custody

In order to open a Wrap Fee Program account with Betterment, clients must establish a brokerage relationship with our affiliated broker-dealer, Betterment Securities, a FINRA member broker-dealer. By entering into an Advisory Agreement with Betterment, client authorizes and directs Betterment to place all trades in client's account through Betterment Securities. As such, Betterment Securities will maintain all client accounts and execute all securities transactions in client accounts without separate commission costs or other fees. Betterment Securities's procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. Clients should understand that the appointment of Betterment Securities as the sole broker for their accounts under this Wrap Fee Program may result in disadvantages to the client as a possible result of less favorable executions than may be available through the use of a different broker-dealer.

Clients should understand the Betterment Wrap Fee Program is a discretionary investment advisory program (except for advice provided through Supplementary Services, which is non-discretionary), and not a self-directed brokerage service. Unlike self-directed brokerage accounts, Betterment clients do not enter individual buy and sell orders for specific securities to be executed at particular times. Rather, Betterment places orders to buy and/or sell securities with Betterment Securities consistent with the discretionary authority granted to it by Clients, which includes, among other things, the authority to select which securities to buy and sell and when to place orders for the execution of securities. If you want to control the specific time during the day that securities are bought and sold in your account (e.g., you want the ability to "time the market"), you should not use Betterment's service.

Betterment trades in Client accounts for any number of reasons, including in response to Client actions such as asset allocation changes, deposits, or withdrawals. Betterment also trades in order to rebalance Client accounts, to change investment options, or otherwise to further the investment objectives that Clients specify via Betterment's website.

Subject to Betterment's trading policies, described in this section, Betterment generally trades on the same business day. However, transactions will be subject to processing delays in certain circumstances. In particular, orders initiated on non-business days and after markets close generally will not transact until the next business day. Betterment maintains a general approach of not placing securities orders during approximately the first thirty minutes after the opening of any market session to avoid periods of market instability, which are common during this time. Betterment generally stops placing orders arising from allocation changes in existing portfolios approximately thirty minutes before the close of any market session. Betterment continues placing orders associated with deposit and withdrawal requests until market close. Betterment maintains a general approach of not placing orders around the time of scheduled

Federal Reserve interest rate announcements. This time period, during which markets often exhibit instability, is typically fifteen to thirty minutes before and after such announcements. Further, account deposits are automatically subject to a processing period that may be up to five business days or longer; deposit-related transactions will not occur until the next business day after this processing period is complete.

In addition, Betterment reserves the right, at any time and without notice, to delay or manage trading in response to market instability. Betterment may do so where it determines it is appropriate to respond to extraordinary circumstances of market instability, as evidenced by extreme instances of elevated localized volatility (i.e., minute-to-minute spikes in implied volatility), insufficient or unstable market depth, price dislocation, incomplete execution, fast markets, and rapidly widening bid-ask spreads. In the event Betterment delays placing orders in response to extraordinary market volatility for greater than sixty consecutive minutes during Betterment's typical trading hours of 10:00 a.m. to 4:00 p.m., Betterment will undertake to provide notice of such delay to Clients (Retail and Institutional) and Participants by posting a message via Betterment's online interface and, separately, to advisors on the Betterment for Advisors platform via email. For the avoidance of doubt, Betterment does not delay or manage trading based on any view about whether markets are likely to rise or fall.

Clients' access to their funds are generally not affected by Betterment's trade management practices, including decisions to delay intra-day trading during extraordinary circumstances of market instability. This is because withdrawals from (as well as deposits into) Betterment accounts are subject to the timing of the ACH network, which functions as a batch process on a 24-hour cycle, and is independent of the time of day a trade occurs.

Betterment Securities effects aggregated block transactions involving multiple Betterment accounts trading in the same securities. These transactions are not subject to any mark-ups, mark-downs, or dealer spreads. In conducting these transactions no client is favored over any other client and each client that participates in an aggregated transaction will participate at the average share price for transactions in the aggregated order.

There are never any separate fees for any trade execution or custody service.

Services Specific to Employer-sponsored Retirement Plan Clients

In addition to the above services, Betterment offers plan sponsors assistance with the development of an Investment Policy Statement ("IPS"). Under the Retirement Investment Advisory Agreement, Betterment provides individual plan Participants with personalized advice. Plan Participants are not required to, but have the option of, entering into an agreement with Betterment directly. Betterment also provides Retirement Clients the opportunity to elect to receive the Retirement Client Additional Services directed at Plan Participants, as further described above in Item 4.

Services Specific to Advisors and Institutional Clients on Betterment for Advisors Platform (and Clients through the Advisor Network)

Betterment offers a range of third-party model portfolios, as well as certain advisor-designed “custom portfolios” in order to provide Advisors on the Betterment for Advisors platform and in the Advisor Network with greater flexibility in serving their clients. Advisors are responsible for determining that particular model portfolios and custom portfolios are suitable for their clients. Third-party model portfolios are likely to include exchange-traded funds sponsored by such third party or an affiliate thereof, and therefore such third party is subject to a potential conflict of interest in that it may be incentivized to include such affiliated exchange-traded fund in constructing such model portfolio. Furthermore, to the extent any model portfolio is updated by the applicable third-party provider, such updates may be delivered to Betterment and updated on the Betterment for Advisors platform after such updates are delivered to other users of such model portfolio (including affiliates of the relevant provider). Clients should also understand that certain of Betterment’s services will be more limited or operate differently for clients who are in a third-party model portfolio or custom portfolio and should consult their Advisory Agreement for additional details.

Other Information about Betterment’s Portfolio Management

Except in connection with Supplementary Services, Betterment manages all client assets on a discretionary basis. As of January 27, 2017, Betterment had \$7,356,469,144 under management.

Item 7: Client Information Provided to Portfolio Managers

Because Betterment manages all client portfolios directly, there are no portfolio managers with whom Betterment could share client information. However, for Institutional Clients on the Betterment for Advisors Service, Betterment provides certain client information to clients' Advisors that clients explicitly request Betterment provide via the Betterment for Advisors Advisory Agreement.

Item 8: Client Contact with Portfolio Managers

Clients may contact Betterment by phone during our support telephone hours and via email at all times. Clients should consider that such customer support is educational in nature only, and that although the algorithms that manages client accounts are overseen, monitored, and updated by investment advisory personnel, clients participating in the Betterment Digital plan will generally not interact directly with such investment advisory personnel, except as described elsewhere in this document.

In addition to the availability of Betterment's customer service personnel to each client, Betterment provides a multitude of materials prepared by investment professionals relating to client portfolios and the investment decisions made for client accounts on its publicly-available website, including a frequently asked questions site and the "Resource Center," available at support.betterment.com and www.betterment.com/resources/, respectively. This information is designed to address commonly asked questions clients have about their accounts and the management of their accounts, and customer service personnel may provide clients links to such material. Clients receiving Supplementary Services may schedule telephone consultations with a financial consultant via an online scheduling link. Clients participating in the Betterment Plus plan will be limited to one telephone consultation per year but may receive periodic offers from Betterment for additional Supplementary Services provided free of charge. Clients should be aware that they may not be able to speak to a person during market events, such as periods of exceptional volatility or downturns.

Item 9: Additional Information

Betterment's Disciplinary History

Betterment has not been subject to any disciplinary events by regulators nor is it party to any legal events that are material to client evaluation of our advisory business.

Betterment's Financial Industry Activities and Affiliations

Betterment CEO Jon Stein and VP of Operations Boris Khentov are registered principals of Betterment Securities, a FINRA member broker-dealer.

Betterment is a wholly-owned subsidiary of Betterment Holdings, Inc., which is also the parent company of Betterment Securities and Betterment for Business LLC.

Betterment's Code of Ethics

Betterment maintains a code of ethics that requires all officers and employees to conduct themselves with the highest standards of honest conduct and business ethics in all aspects of their activities concerning Betterment and Betterment clients. A copy of Betterment's Code of Ethics is available to clients and prospective clients upon request.

Participation in Client Transactions and Potential Conflicts of Interest

Betterment or individuals associated with Betterment may buy or sell securities identical to or different than those recommended to clients for their personal accounts. Individuals associated with Betterment may also be Betterment clients. In addition, any related person(s) may have an interest or position in certain securities which may also be recommended to a client. In such instances, Betterment or its related persons may have a financial incentive to buy or sell such securities for client accounts, although this incentive is limited because Betterment generally recommends highly liquid index funds to its clients and because client activity in such funds is unlikely to materially impact their price.

It is the express policy of Betterment that no person employed by Betterment may use material, non-public information obtained during the course of his or her work in deciding whether to purchase or sell any security prior to any pending transaction(s) being executed for an advisory account. This policy is intended to prevent employees from benefiting from transactions placed on behalf of advisory accounts.

Review of Accounts

Betterment's investment tools are designed to provide clients with continuous access to account information through Betterment's online interface. Clients can utilize various tools on the interface to review their account and better understand their holdings and performance information. Clients also receive periodic emails from Betterment with information about their accounts as well as links to account statements.

As described above in Item 6, and subject to the limitations for custom portfolios and third-party model portfolios referenced there, Betterment's algorithms continuously reviews clients'

accounts to ensure their portfolios are within a set range of their Allocation. If a client's portfolio deviates from this range, Betterment will rebalance such portfolio back to its target allocation in certain circumstances. Furthermore, Betterment monitors accounts to determine whether a client is on or off track to meet a particular goal or whether, in Betterment's judgment, client's chosen allocation is too aggressive or conservative for a goal, and indicates the result of that monitoring through the online interface. Betterment personnel further conduct limited reviews of accounts when triggered by certain account activity, although Clients should be aware that their individual accounts are generally not actively monitored directly by investment advisory personnel.

Clients are directed on at least a quarterly basis to update their information via the online interface.

For clients using the Betterment for Advisors Service or receiving sub-advisory services from an Advisor through the Advisor Network matching service, clients' agreements with their Advisors govern any additional responsibilities for conducting reviews of clients' accounts that the Advisors may have.

Client Referrals

Betterment offers compensation to current clients, affiliate marketers, solicitors, and other strategic partners who recommend Betterment and refer new clients. New clients are advised of such compensation prior to opening an account. Betterment supervises the referral activities of current customers, affiliate marketers (including "bloggers"), solicitors, and other strategic partners. Clients are not charged any fee nor do they incur any additional costs for being referred to Betterment by a current client, affiliate marketer, solicitor, or other strategic partner. In addition, Betterment personnel are eligible for variable compensation based on the firm's growth. This compensation is based on firm-wide targets, individual targets, or both.

Termination of Advisory Relationship

Retail and institutional client agreements may be canceled at any time, by either party, for any reason upon notice in accordance with the applicable Advisory Agreement. Retirement client agreements may be cancelled by the client at any time and by Betterment after a specific notice period, in both cases in accordance with the applicable Advisory Agreement. Upon termination of any account any earned, unpaid fees will be due and payable.

Voting Client Securities

Betterment clients delegate to Betterment the authority to receive and vote all proxies and related materials for any security held in Betterment accounts. Betterment will do so in a way that is reasonably expected to ensure that proxy matters are conducted in the best interest of clients. Clients may request information regarding how Betterment voted a client's proxies, and clients may request a copy of Betterment's proxy policies and procedures, which may be updated from time to time, by emailing support@betterment.com.

Privacy Policy

Betterment is committed to protecting our clients' private information. Betterment and Betterment Securities have instituted policies and procedures to ensure that customer information is kept private and secure. Betterment does not disclose any non-public personal information about its customers or former customers to any non-affiliated third parties except as required by or permitted by law or agreed to by the client or as otherwise disclosed in Betterment's Privacy Policy. In the course of servicing a client account, Betterment may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and attorneys; with an Advisor in the case of Institutional Clients; and with the employer or plan sponsor in the case of Participants. Betterment restricts internal access to non-public personal information to those employees who need access to such information in order to provide products or services to a particular client. Betterment also maintains physical, electronic, and procedural safeguards to protect client information.

A copy of the Betterment's Privacy Policy is available on the Betterment website at www.betterment.com/privacypolicy.

Financial Information

To the best of Betterment's knowledge, we are not aware of any financial condition that is reasonably likely to impair Betterment's ability to meet its contractual commitments to its Clients.

Subject to Change

From time to time Betterment may adjust its wrap fee program and policies. In the event of such adjustments this brochure will be modified as needed and an updated copy will be made available on the Betterment website.

Form ADV Part 2B

CLIENT BROCHURE SUPPLEMENT

Betterment
61 West 23rd Street
4th Floor
New York, NY 10010
888-428-9482
www.betterment.com

March 31, 2017

This Brochure Supplement provides information about certain Betterment employees listed below that supplements the Wrap Fee Brochure you received above. If you have any questions about the contents of this brochure, please contact us at support@betterment.com or at 888-428-9482. Additional information about Betterment is available on the SEC's website at www.adviserinfo.sec.gov.

Betterment's discretionary investment advice is formulated by a team comprised of more than five Supervised Persons, and Betterment has provided group supplementary information below for the five Supervised Persons with the most significant responsibility for the day-to-day advice provided to Clients.

JON B. STEIN

Chief Executive Officer

Born 1979

Education

B.A., Harvard University, 2001

M.B.A., Columbia Business School, 2009

Business Background

Betterment, Chief Executive Officer, 2007 – Present

Betterment Securities Principal 2009 – Present

First Manhattan Consulting Group, Consultant, 2003-2007

Securities Series Licenses 7, 24, 63

Disciplinary Information

None

Other Business Activity

Mr. Stein is also a Principal of Betterment Securities, a registered broker-dealer and Betterment LLC affiliate. As discussed in the Wrap Fee Brochure, Clients that seek to engage Betterment's services also agree to direct brokerage in their accounts through Betterment Securities. Betterment charges a wrap fee that includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Individuals associated with Betterment Securities do not receive commissions per trade for executing trades for Betterment customers.

Additional Compensation

None

Supervision

Mr. Stein is CEO of Betterment, and as such is not subject to additional supervision

BENJAMIN T. ALDEN

General Counsel and Chief Compliance Officer

Born 1984

Education

B.A., Cornell University, 2006

J.D., Stanford University Law School, 2010

Member New York State Bar Association

Business Background

Betterment, 2014 – Present

Spears & Imes LLP, Associate, 2012 – 2014

Hon. Colleen McMahon of the Southern District of New York, Law Clerk, 2011 – 2012

Sullivan & Cromwell LLP, Associate, 2010 – 2011

First Manhattan Consulting Group, Analyst, 2006 – 2007

Disciplinary Information

None

Other Business Activity

Mr. Alden also provides legal counsel on occasion for Betterment Securities, a registered broker-dealer and Betterment LLC affiliate. As discussed in the Wrap Fee Brochure, Clients that seek to engage Betterment's services also agree to direct brokerage in their accounts through Betterment Securities. Betterment charges a wrap fee that includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Individuals associated with Betterment Securities do not receive commissions per trade for

executing trades for Betterment customers.

Additional Compensation

None

Supervision

Mr. Alden is supervised by Mr. Stein pursuant to Betterment's Policies and Procedures

DUSTIN LUCIEN

Chief Operations Officer

Born 1975

Education

B.S. Case Western Reserve University, 1997

Business Background

Betterment, Chief Operations Officer, 2016 – Present

Betterment Securities Information Technology Consultant 2016 – Present

Betterment, Chief Technology Officer – 2014 – 2016

TheLadders, Director of Engineering – 2013 – 2014

Disciplinary Information

None

Other Business Activity

Mr. Lucien is also an Information Technology Consultant for Betterment Securities, a registered broker-dealer and Betterment LLC affiliate. As discussed in the Wrap Fee Brochure, Clients that seek to engage Betterment's services also agree to direct brokerage in their accounts through Betterment Securities. Betterment charges a wrap fee that includes charges for advisory services, custody of assets, execution and clearing of transactions, and account reporting. Individuals associated with Betterment Securities do not receive commissions per trade for executing trades for Betterment customers.

Additional Compensation

None

Supervision

Mr. Lucien is supervised by Mr. Stein pursuant to Betterment's Policies and Procedures

DANIEL P. EGAN

Director of Behavioral Finance & Investing

Born 1981

Education

B.A. Boston University, 2003

M.Sc. London School of Economics and Political Science, 2006

Business Background

University of Pennsylvania, Economic Data Analyst, 2004 – 2005

Chiliogon LTD, Economist, 2006

Barclays Wealth and Investment Management, Americas, Behavioral Finance Specialist, 2007 – 2012

Betterment, Director of Investing, 2012 – Present

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Egan is supervised by Mr. Benke pursuant to Betterment's Policies and Procedures

ALEX C. BENKE, CFP®

Vice President of Financial Planning & Advice

Born 1979

Education

B.S., Cornell University, 2002

Certificate in Financial Planning, Fordham University, 2006

Business Background

J.P.Morgan Chase, Associate, Investment Bank Technology, 2002 – 2006

CERTIFIED FINANCIAL PLANNER™, CFP Board ID: 120343, 2007 – Present

Ascent Financial Group, Financial Planner, 2007 – 2008

J.P.Morgan Chase, Vice President, Counterparty Risk Technology, 2008 – 2012

Financial Planning Consultant and Editor, Churnless, 2011

Betterment, Director of Financial Planning, 2012 – Present

Disciplinary Information

None

Other Business Activity

None

Additional Compensation

None

Supervision

Mr. Benke is supervised by Mr. Stein pursuant to Betterment's Policies and Procedures